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IN THE

Supreme Court of the United States

OCTOBER TERM, 1949

No. 478-479

CONSUMERS PETROLEUM COMPANY,
Petitioner,

vs.

CONSUMERS COMPANY,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

Consumers Petroleum Company, an Illinois Corporation, Petitioner, prays that a writ of Certiorari issue to review the judgments of the United States Court of Appeals for the Seventh Circuit, entered July 19, 1949, reversing the decree of the District Court for the Northern District of Illinois, Eastern Division, in consolidated appeals No. 9859 (*Consumers Petroleum Company,* Plaintiff-Appellee, v. *Consumers Company,* Defendant-Appellant) and No. 9860 (*Consumers Petroleum Company,* Plaintiff-Appellee v. *Consumers Company,* Defendant-Appellant).

OPINIONS BELOW.

The oral opinion of the District Court is not reported but may be found in the record. (R. 77-80).

The opinion of the Court of Appeals (R. 139-144) is reported at 176 F. 2d 441.

JURISDICTION.

The judgments of the United States Court of Appeals for the Seventh Circuit on the consolidated appeals were entered July 19, 1949. (R. 145, 146). Petitioner's petition for rehearing was denied (and three paragraphs of the opinion of July 19, 1949 stricken, and one new paragraph added), on September 30, 1949. (R. 147). The jurisdiction of this Court is invoked pursuant to Section 240(a) of the Judicial Code as amended by the Act of February 13, 1935 (43 Stat. 938, 28 U.S.C. § 347(a)).

SUMMARY STATEMENT OF THE MATTER INVOLVED.

The judgments of the Court of Appeals sought to be reviewed by this petition for a writ of certiorari represent the second opinion of that court on the claim of petitioner (hereinafter called plaintiff) that respondent (hereinafter called defendant) was guilty of unfair competition in the use of its corporate name "Consumers Company" and the trade name "Consumers" in the sale and marketing of fuel oil in Chicago and vicinity. An examination of the first opinion (169 F. 2d 153, R. 4-25) of the Court of Appeals is necessary fully to understand the reasons requiring the issuance of a writ of certiorari by this Court.[1]

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[1] Defendant's petition for a writ of certiorari and plaintiff's cross-writ from the first judgment of the Court of Appeals were denied by this Court: No. 395, 335 U. S. 902; No. 425, 335 U. S. 902. These petitions presented issues other than is here presented by this petition.

1. The First Opinion of the Court of Appeals, 169 F. 2d 153. (R. 4-25).

All of the factual recitations hereinafter made are those found by the Master in Chancery who heard the cause and approved by the Court of Appeals in its first decision. These findings may be summarized as follows:

Plaintiff, Consumers Petroleum Company.

a. Plaintiff, Consumers Petroleum Company was incorporated under that name as an Illinois Corporation in 1925, and was the first to use that name and the trade name "Consumers" in the sale of fuel oil and petroleum products in Chicago and the Chicago Metropolitan area.

b. Plaintiff has sold fuel oil in Chicago and its environs since that time under the trade name "Consumers" and its corporate name "Consumers Petroleum Company."

c. Plaintiff has spent large sums of money in promoting and advertising its business under such trade names.

d. Plaintiff has built up a "very valuable good will" under its trade names, "Consumers" and "Consumers Petroleum Company" in the sale of fuel oil and petroleum products in Chicago and its environs.

Defendant, Consumers Company.

a. Defendant was incorporated as a Delaware Corporation in 1937 as the result of the reorganization of its predecessor, which was incorporated in 1913 as an Illinois Corporation.

b. Defendant did not begin the sale of fuel oil on its own account until 1938, and made no sales of fuel oil "under its corporate name" or the trade name "Consumers" until that date.

c. Defendant's predecessor had sold hard fuels (coal and coke) on and after its incorporation in 1913, had never sold fuel oil under its corporate name or the trade name "Consumers," but did sell an "infinitesimal" amount of fuel oil as agent for the Standard Oil Company under the trade names of that latter company, "Stanolind" and "Stanolex."

Confusion of the Public.

a. There was no confusion of the public with respect to plaintiff and defendant or defendant's predecessor *until* defendant first commenced the sale of fuel oil *in 1938,* for itself "under its corporate name" and the trade name "Consumers."

b. Both the plaintiff and defendant alleged and adduced evidence which established the existence of substantial confusion of the public as between plaintiff and defendant as the source or origin of fuel oil. The Master affirmatively found such confusion to have existed after 1938, and the Court of Appeals approved this finding.

The Conclusions of the Court of Appeals.

a. That plaintiff had the superior right to the use of its corporate name and the trade name "Consumers" in the sale and marketing of fuel oil in the Chicago area.

b. That defendant acquired no property right in the trade name "Consumers" with respect to fuel oil.

c. That defendant was guilty of unfair competition as alleged in the complaint, and that the cause be remanded to the District Court for the entry of an appropriate decree.

2. The Decree Entered by the District Court on Remand and its Subsequent Reversal by the Court of Appeals.

The Decree of the District Court.

The decree entered by the District Court, on remand, among other things enjoined defendant from using or employing both the trade name "Consumers," and its corporate name, "Consumers Company" in the sale and marketing of fuel oil in the Chicago Metropolitan Area. (R. 114-115.) Both parties appealed from the decree of the District Court. (R. 118, 124.)

The Second Opinion of the Court of Appeals, 176 F. 2d 441 (R. 139-144, R. 147).

The opinion and the judgments of the Court of Appeals, made the subject of this petition for writ of certiorari, were handed down July 19, 1949. (R. 139-144, 145, 146.) The opinion was subsequently amended by the Court in denying plaintiff's petition for rehearing, by the striking out of the last three paragraphs of the opinion as originally published, and the addition of one paragraph (R. 147).

The basic issue, in the view of the Court of Appeals, presented for decision on the second appeal, was whether "the court (trial court) erred in enjoining the defendant from the use of its corporate name in the sale and dis-

tribution of fuel oil, * * *." (R. 140.) The Court answered the question thus posed as follows:

> a. Plaintiff had and has the sole and exclusive right to the use of the trade name "Consumers" in the sale and distribution of fuel oil in the Chicago area. Conversely, the defendant has no right in that name, and is prohibited and barred from using it in the sale and distribution of fuel oil in the Chicago Metropolitan Area.
>
> b. However, defendant may use its corporate name "Consumers Company," in the sale and distribution of fuel oil in the Chicago area, although it may not sell fuel oil under the word "Consumers" standing alone!

The Court further flatly asserted, that it "seriously" doubted whether "a court" had the "authority * * * to enjoin defendant's use of its corporate name * * *." (R. 143).

The remanding order of the Court reversed and remanded the cause to the District Court for the entry of a decree "in conformity with the views herein expressed."

QUESTIONS PRESENTED.

1. Whether the Court of Appeals, although deciding that defendant should be enjoined from using the trade name "Consumers", in the sale and marketing of fuel oil in the Chicago metropolitan area, erred in holding that defendant could continue to sell fuel oil in that area under the name "Consumers Company"?

2. Whether the trade name "Consumers", and defendant's corporate name "Consumers Company", are confusingly similar?

3. Whether a federal court of equity has authority to enjoin the use of a corporate name (or at least enjoin the use of the infringed trade name "Consumers" by defendant as a part of its corporate name) when that name is confusingly similar to and an infringement of the superior, prior and exclusive right of another thereto?

4. Whether the Court of Appeals erred in its opinion and judgment by refusing to prohibit defendant from using its corporate name in the sale and distribution of fuel oil, when it is conceded that public confusion as to source and origin as between plaintiff and defendant first arose after defendant first began to sell fuel oil under its corporate name in 1938, and which judgment will continue the confusion of the public to the damage and detriment of plaintiff and the public.

REASONS FOR GRANTING THE WRIT.

The Court of Appeals in deciding that although plaintiff had the sole, exclusive and prior right to the trade name "Consumers," and to its corporate name "Consumers Petroleum Company" but in erroneously holding that defendant should not and could not be prohibited and prevented from using its corporate name "Consumers Company" in the sale and distribution of fuel oil, decided a question of federal equity practice of general importance; failed to give effect to applicable decisions of this Court, decisions by other Circuit Courts of Appeal, as well as decisions by the Seventh Circuit Court of Appeals itself.

1. The decision of the Court of Appeals in the case at bar has served completely to emasculate effective relief in cases of the character of this case. The equitable relief to be accorded the litigant who has successfully

established his exclusive claim to a trade name (whether corporate or otherwise) is the heart and soul of unfair trade competition cases. Without effective equitable relief, the confusion to the public or others, and the infringement of the prior user's property rights will continue unabated. The many limitations, particularly of proof, placed on claims for lost profits and damages, emphasize the importance of effective remedial relief.[2] Without such relief, the wrongdoer, as in the case at bar, is permitted to continue its illegal acts, unmolested and without restraint. As this Court well said in *Federal Trade Commission* v. *Algoma,* 291 U. S. 67, 81 (1934), with respect to the relief to be accorded in cases of mere innocent misrepresentation:

> "They (the wrongdoers) must extricate themselves from it by purging their business methods of a capacity to deceive."

The decision in the case at bar wholly denies effective equitable relief. The case far transcends the issue of whether the Court of Appeals abused its discretion or arrived at an erroneous decision in the case at bar. The decision is of the greatest general importance in the developing and expanding field of unfair competition through the illegal use of trade or corporate names. The ancient standards of fraudulent palming off of one's goods for another, and the host of other deliberate devices of misrepresentation have been relegated to a position of declining importance in this field of law. The continuously

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[2] For example, plaintiff in the case at bar sued for damages and lost profits as well as for equitable relief. The Court of Appeals in its first opinion held that because of the lack of evidence of deliberate and wilful misrepresentation by defendant, the trial court had properly dismissed that facet of plaintiff's suit. (R. 19-22.)

growing use of corporate names as trade names finding expression for example, in the growth of "institutional" advertising, is of the greatest importance. When a company has built up a good will and association in the public mind of the name of that company with the product or products involved, a valuable property right has been created. Not only that, but the buying public has an interest in knowing that that company and no other is the source of the product. This was specifically recognized by this Court in *American Steel Foundries* v. *Robertson,* 269 U. S. 372, 380-381 (1926).

The decision in the case at bar holds that although plaintiff has the right to the name "Consumers" (and conversely that defendant has no right whatsoever to it), *nevertheless* defendant may use its corporate name "Consumers Company" in the sale and marketing of fuel oil. The decision is clearly wrong and in direct conflict with *American Steel Foundries* v. *Robertson,* 269 U. S. 372, 381 (1926), where this Court, in discussing this very issue said:

> "The general doctrine is that equity not only will enjoin the appropriation and use of a trade-mark or trade name where it is completely identical with the name of the corporation, but will enjoin such appropriation and use where the resemblance is so close as to be likely to produce confusion as to such identity, to the injury of the corporation to which the name belongs."

But the significance is much greater than the apparent contradiction of the opinion that "Consumers" and "Consumers Company" are not confusingly similar. The thrust of the decision carries it far beyond the two litigants in the case at bar. It purports to establish binding precedent in the Seventh Circuit and persuasive authority else-

where, marking out the type, kind and extent of equitable relief to be accorded by federal courts. The decision should be reviewed on this ground alone.

2. The effect of the decision of the Court of Appeals is to vest a corporate name with a sanctity and inviolability never before accorded the corporate form. The undocumented premise of the Court of Appeals that it has "serious" doubts whether a federal court of equity has the power to enjoin a corporation from the use of its corporate name where that name assumedly is used unfairly but in good faith (if possible) as a trade name, stands alone and without support. Indeed, the case of *American Steel Foundries* v. *Robertson*, 269 U. S. 372, 381 (1926), is directly contrary. The failure of the Court of Appeals to enjoin the use of "Consumers" in defendant's corporate name in the case at bar is contrary, as well, to many decisions of the lower federal courts. See e. g., *British-American Tobacco Co.* v. *British-American Cigar Stores Co.*, 211 Fed. 933 (C. A. 2, 1914); *Standard Oil Co. of New Mexico* v. *Standard Oil Co. of Calif.*, 56 F. 2d 973 (C. A. 10, 1932); *Esso Inc.* v. *Standard Oil Co.*, 98 F. 2d 1 (C. A. 8, 1938); *Queen Mfg. Co.* v. *Ginsberg & Bros.*, 25 F. 2d 284 (C. A. 8, 1928); *Rice & Hutchins* v. *Vera Shoe Co., Inc.*, 290 Fed. 124 (C. A. 2, 1923). Indeed, the decision by the Court of Appeals is contrary to its own prior opinions in *Arrow Distilleries, Inc.* v. *Arrow Distilleries, Inc.*, 117 F. 2d 636 (C. A. 7, 1942); and *Mantle Lamp Co. of America* v. *Aladdin Mfg. Co.*, 78 F. 2d 426 (C. A. 7, 1935).

Yet the Court of Appeals has ruled that in the absence of bad faith and wilful misrepresentation, a corporation even though guilty of unfair competition in the use of the unfairly competitive name as the dominant feature of its

corporate name (e. g., *"Consumers"* in *"Consumers* Company"), cannot be enjoined from the use of that name. The rationale is difficult to understand. However, the intent of the Court of Appeals is plain. Such a result, whether phrased in terms of lack of power residing in a federal court of equity, or otherwise, completely eliminates effective relief in cases of the character of the case at bar. As we have stated, the growing majority of unfair competition cases involving the use of generic or institutional trade names are not easily susceptible of proof of wilfulness, maliciously intentional palming off, fraudulent misrepresentations, and the other characteristic types of actionable conduct falling in this class. The presently typical cases are of the nature of the case at bar, wherein the only obtainable relief is equitable. However, the decision of the Court of Appeals in the instant case, in effect finds on the one hand the existence of unfair competition, but on the other hand, denies completely any relief whatsoever to end the confusion of the public and to protect the property rights of the prevailing party. The Court has created a stultifying standard of equitable relief out of whole cloth, binding on the District Courts in the Seventh Circuit, and standing as persuasive authority for the other federal courts, not to mention state trial and appellate courts, particularly those of Illinois. The readily apparent pervasive effect of the decision by the Court of Appeals, it is respectfully submitted, requires the discretionary exercise of this Court's right of review.

3. The Court of Appeals furthermore overlooks its explicit holding in its prior opinion that the use by defendant of its corporate name as a trade name was an infringement of plaintiff's exclusive right to the use of the trade name "Consumers" in the sale and marketing of

fuel oil and its right to the use of its corporate name "Consumers Petroleum Company" therein. Such a conclusion is required by a mere perusal of the opinion of the Court of Appeals on the first appeal having in mind the background of the case and the contentions of the parties. Particularly is this true since the court admits even in its second opinion that the confusion alleged by the parties, found by the Master, and affirmed by the Court of Appeals, did not exist until 1938 when the defendant for the first time began to sell and market fuel oil under its corporate name "Consumers Company" and the trade name "Consumers." There was no confusion of the public during the period from 1927 to 1938 when defendant's predecessor sold fuel oil only as an agent for Standard Oil Company under that company's fuel oil trade names, and not under its corporate name. Both parties adduced evidence that only after 1938, beginning when defendant for the first time sold fuel oil under its corporate name and the trade name "Consumers," did substantial confusion first occur. The basic premise of the first opinion of the Court of Appeals rested on the admitted fact that defendant, by selling fuel oil under its corporate name and the trade name "Consumers," had infringed plaintiff's prior right to sell and market fuel oil under its corporate name and the trade name "Consumers." The Court of Appeals in its first decision held that plaintiff, not defendant, should prevail on this issue. For example, the Court in its first opinion cited and quoted with approval the decision by this Court in the case of *American Steel Foundries* v. *Robertson,* 269 U. S. 372 (1926), for the proposition that a corporate name when used as a trade name would be protected by the court against its use by another. In fact, the Court of Appeals emphasized the

statement of this Court in the foregoing case that "equity not only will enjoin the appropriation and use of a trademark or trade name where it is completely identical with the name of the corporation, but will enjoin such appropriation and use where the resemblance is so close as to be likely to produce confusion as to such identity, to the injury of the corporation to which the name belongs."

Furthermore, the Court of Appeals considered and rejected the argument of defendant that "a private party has no right to complain about the use by a corporation of its corporate name." The Court emphasized in the first opinion that the case at bar was one of confusion of source or origin, not of technical palming off of goods or merchandise. The first decision of the Court of Appeals emphasized the confusion of the public admitted to exist by both of the parties, and that this confusion must be ended by appropriate relief. Having the foregoing in mind, it cannot conceivably be argued that the Court of Appeals in fact attempted to draw the distinction in its first opinion which it now claims that it did—that there is a difference between the trade name "Consumers" and the corporate name "Consumers Company," and that defendant may be restrained from using the trade name "Consumers" but still may be permitted to use the trade name "Consumers" as the dominant word in its corporate name "Consumers Company" in the sale and marketing of fuel oil in the Chicago Metropolitan Area.

CONCLUSION.

The decision by the Court of Appeals manifestly and clearly is one of general importance. It is a decision in a developing field of law, which if left as a guide post will turn the current of that trend and will lead to results which will fail to give not only adequate relief but will in effect deny relief to those whose rights have been infringed by the use of a corporation of its corporate name as a trade name in the sale and distribution of goods, services and products. It is a decision which is in direct conflict with controling decisions of this Court. It is furthermore in direct conflict with decisions of the other Circuit Courts of Appeal, and even with decisions by the Court of Appeals for the Seventh Circuit which rendered the judgments in the case at bar. It is respectfully submitted that the decision of the Court of Appeals, for the compelling reasons we have suggested, clearly merits review by this Court.

Respectfully submitted,

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